



ACQUISITION AND
TECHNOLOGY

DP (DAR)

OFFICE OF THE UNDER SECRETARY OF DEFENSE

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WASHINGTON) DC 20301-3000



November 19, 1996

In reply refer to
DAR Tracking Number 96-00008

MEMORANDUM FOR DIRECTORS OF DEFENSE AGENCIES
DEPUTY FOR ACQUISITION AND BUSINESS MANAGEMENT,
ASN(RD&A)/ABM
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE
(CONTRACTING) , SAF/AQC
DIRECTOR, PROCUREMENT POLICY, ASA(RD&A)/SARD-PP
DEPUTY DIRECTOR (ACQUISITION) , , EFENSE LOGISTICS , GENCY

SUBJECT: Class Deviation for Reinvention Laboratory-Reducing
Oversight Costs

I authorize all military departments and defense agencies to deviate from the requirements in Federal Acquisition Regulations (FAR) 44.201-1(c)(1) and (d) ; 44.201-2(a); 44.201-3; 44.204(a)/ (b) and (c); and the clauses at FAR 52.244-1, -2, and -3 when contracting with Texas Instruments Defense Systems and Electronics Group, Dallas, Texas.

Specifically, this class deviation authorizes you to eliminate the subcontract consent requirements, except for those subcontracts specifically identified by the contracting officer in the Subcontracts (Deviation) clause, provided that Texas Instruments Defense Systems and Electronics Group, Dallas maintains an approved purchasing system in accordance with FAR Part 44. Contracting officers shall use the attached clause, with its Alternates, in lieu of the clauses at FAR 52.244-1, -2, and -3. Contracting officers may modify existing contracts with Texas Instruments Defense Systems and Electronics Group, Dallas, Texas, to include these subcontract notification and consent Provisions only if adequate consideration is obtained"

This class deviation is effective for a one-year period ending November 30, 1997, or until the FAR is revised, whichever event occurs first.

Eleanor R. Spector
Director, Defense Procurement

Attachment

ENCLOSURE(3)



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52.244-2 **subcontracts (Deviation)=**

, Contracting officers, when awarding contracts to Texas instruments
Defense Systems and Electronics Group, Dallas, Texas, shall insert the
following clause in solicitations and contracts when contemplating (1)
a cost-reimbursement contract; (2) a letter contract which exceeds the
simplified acquisition threshold; (3) a fixed-price contract which
exceeds the simplified acquisition threshold under which unpriced
contract actions (including unpriced modifications or unpriced
delivery orders) are anticipated; or (4) a time-and-materials contract
which exceeds the simplified acquisition threshold.

SUBCONTRACTS (OCT 1996) (DEVIATION)

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(a) Definitions.

As used in this clause--

"Approved purchasing system" means a Contractor's purchasing
system that has been reviewed and approved in accordance with Federal
Acquisition Regulation (FAR) part 44.

"Consent to subcontract" means the Contracting Officer's
Written consent for the prime Contractor to enter into a particular
subcontract.

"Subcontract", means any contract as defined in FAR Subpart
2.1 entered into by a subcontractor to furnish supplies or services
for performance of a prime contract or a subcontract. It includes but
is not limited to purchase orders, and changes and modifications to
purchase orders.

(b) This clause does not apply to subcontract^s for special test
equipment.

(c) When this clause is included in a fixed-price type
contracts, consent to subcontract is required only on unpriced
contract actions (including unpriced modifications or unpriced
delivery orders) under such contracts"

(d) If the Contractor does not have an approved purchasing
system, consent to subcontract is required for any subcontract if--

(1) The proposed subcontract is of the cost-reimbursement/
time-and-material, or labor-hour type;

(2) The proposed subcontract is fixed-price and exceeds the
greater of the simplified acquisition threshold or 5 percent of the
total estimated cost of this contract"

(e) Even if the Contractor has an approved purchasing system, the Contractor shall obtain the Contracting Officer's written consent before placing the following subcontracts:

(f)(1) The Contractor shall notify the Contracting Officer reasonably in advance of placing any subcontract or modification thereof for which consent is **required** under paragraph (c), (d), or (e) of this clause, including the following information:

(i) A description of the supplies **or services** to be subcontracted.

(ii) Identification of the type of subcontract to be used.

(iii) Identification of the proposed subcontractor.

(iv) The proposed subcontract price.

(v) The subcontractor's current, **complete**, and accurate cost or pricing data and certificate of current cost or pricing data, if required by other contract provisions.

(vi) The subcontractor's Disclosure Statement or Certificate relating to Cost Accounting Standards when such data are required by other provisions of this contract"

(vii) A negotiation memorandum reflecting--

(A) The principal elements of the subcontract price negotiations;

(B) The most significant considerations controlling establishment of initial or **revised** prices;

(C) The reason cost or pricing data were or were not required;

(D) ~~The~~ extent, if any, to which the Contractor did not rely on the subcontractor's cost or pricing data in determining the price objective and in negotiating the final price;

(E) The extent to which it was recognized in the negotiation that the subcontractor's cost or pricing data were not accurate, complete, **or** current; the action taken by the Contractor and the subcontractor's price objective and the Price negotiated; and

(F) The reasons for any significant **difference** between the Contractor's price objective and the Price negotiated; ~~and~~

(G) A complete explanation of the incentive fee or profit plan when incentives are used. The explanation shall identify each critical performance element, management decisions used to quantify each incentive element, reasons for the incentives, and a summary of all trade-off possibilities considered.

(2) The Contractor is not required to notify the Contracting Officer in advance of entering into any subcontract for which consent to subcontract is not required under paragraph (c), (d), or (e) of this clause.

(g) Unless the consent or approval specifically provides otherwise, neither consent by the Contracting Officer to any subcontract nor approval of the Contractor's **purchasing** system shall constitute a determination (1.) of the acceptability of any subcontract terms or conditions, (2) of the allowability of any cost under this contract, or (3) to relieve the Contractor of any responsibility for performing this contract.

(h) No subcontract or modification thereof placed under this contract shall provide for payment on a **cost-plus-a-percentage-of-cost** basis, and any fee payable under cost-reimbursement type subcontracts shall not exceed the fee limitations in FAR 15.903 (d) .

(i) The Contractor shall give the Contracting Officer immediate written notice of any action or suit filed and prompt notice of any claim made against the Contractor by any subcontractor or vendor that, in the opinion of the Contractor, may result in litigation related in any way to this contract, with respect to which the Contractor may be entitled to reimbursement from the Government.

(j) The Government reserves the right to review the Contractor's purchasing system as set forth in FAR Subpart 44.3.

(End of clause)

Alternate I (JUL 1995) (DEVIATION)

For cost-reimbursement contracts, substitute the following subparagraph (f) (2) for subparagraph (f) (2) of the basic clause:

(f)(2) Even if the Contractor has an approved purchasing system and consent is not required under paragraph (d) or (e) of this **clause**, the Contractor shall notify the Contracting Officer reasonably in advance of entering into any (i) cost-plus-fixed-fee subcontract, or (ii) fixed-price subcontract which exceeds the greater of (A) the simplified acquisition threshold; or (B) 5 percent of the **total** estimated cost of this contract. The notification shall include the information required in subparagraphs (f) (1) (i) through (f) (1) (iv) of **this** clause.

Alternate II (**SEP** 1995) (DEVIATION)

If in the opinion of the contracting officer, the advance notification or consent requirements were satisfied for certain subcontracts evaluated during negotiations, the contracting officer may add the following paragraph (k) to the basic clause:

(k) paragraph (d) of this clause does not apply to the following subcontracts, **which** were evaluated during negotiations:

Alternate III (**SEP** 1995) (DEVIATION)

For a time-and-materials contract, the contracting officer may substitute the following subparagraph (d) (2) for subparagraph (d) (2) of the basic clause:

(d) (2) The proposed subcontract is fixed-price and exceeds the greater of the **simplified** acquisition threshold or 5 percent of the total estimated cost of this contract, except subcontracts for purchase of raw material or commercial stock items.